



Schedule H-2 Recapture Offset Worksheet

Massachusetts
Department of
Revenue

Part I.

Year 1	Column A: Credits Available	Column B: Credits Used	Column C: Credits Unused	Column D: Unlimited Carryovers	Column E: 3-Year Carryovers
1 Poverty Area Credit. 1					
2 Vanpool Credit. 2					
3 Investment Tax Credit carryover which, if unused, will lapse this year 3					
4 Investment Tax Credit carryover which, if unused, will lapse in one year 4					
5 Investment Tax Credit carryover which, if unused, will lapse in two years. 5					
6 Current year Investment Tax Credit 6					
7 Unlimited credit carryover from prior years. 7					
8 Total credits. <i>Add lines 1 through 7.</i> 8					

Year 2	Credits Available	Credits Used	Credits Unused	Unlimited Carryovers	3-Year Carryovers
9 Poverty Area Credit. 9					
10 Vanpool Credit 10					
11 Investment Tax Credit carryover which, if unused, will lapse this year (line 4E) 11					
12 Investment Tax Credit carryover which, if unused, will lapse in one year (line 5E) 12					
13 Investment Tax Credit carryover which, if unused, will lapse in two years (line 6E) 13					
14 Current year Investment Tax Credit 14					
15 Unlimited credit carryover from prior years (line 8D) 15					
16 Total credits. <i>Add lines 9 through 15</i> 16					

Year 3	Credits Available	Credits Used	Credits Unused	Unlimited Carryovers	3-Year Carryovers
17 Poverty Area Credit 17					
18 Vanpool Credit 18					
19 Investment Tax Credit carryover which, if unused, will lapse this year (line 12E) 19					
20 Investment Tax Credit carryover which, if unused, will lapse in one year (line 13E) 20					
21 Investment Tax Credit carryover which, if unused, will lapse in two years (line 14E) 21					
22 Current year Investment Tax Credit 22					
23 Unlimited credit carryover from prior years (line 16D) 23					
24 Total credits. <i>Add lines 17 through 23</i> 24					

Year 4	Credits Available	Credits Used	Credits Unused	Unlimited Carryovers	3-Year Carryovers
25 Poverty Area Credit 25					
26 Vanpool Credit 26					
27 Investment Tax Credit carryover which, if unused, will lapse this year (line 20E) 27					
28 Investment Tax Credit carryover which, if unused, will lapse in one year (line 21E) 28					
29 Investment Tax Credit carryover which, if unused, will lapse in two years (line 22E) 29					
30 Current year Investment Tax Credit 30					
31 Unlimited credit carryover from prior years (line 24D) 31					
32 Total credits. <i>Add lines 25 through 31</i> 32					

Part II.

33	Beginning balance of unlimited carryovers in Year 1 (line 7A)	33	\$
34	Unlimited carryovers converted from Year 1 Investment Tax Credits. <i>Add lines 6D, 13D, 20D and 27D</i>	34	
35	Unlimited carryovers actually used during the period of Year 2 through Year 4. <i>Add lines 15B, 23B and 31B</i>	35	
36	Unlimited carryovers actually used during the period of Year 5 through the year of recapture (i.e., any credits used during this period that were unlimited carryover credits)	36	
37	Total of unlimited carryovers actually used, reduced by unlimited carryovers not related to the recapture property. <i>Subtract line 33 from the total of lines 35 and 36. Not less than "0"</i>	37	
38	Unlimited carryovers actually used that relate to the recapture property (line 37). Not more than line 34.	38	

Part III.

39	Total current year Investment Tax Credit in Year 1 (Part I, line 6A)	39	\$
40	Current year Investment Tax Credit in Year 1 which relates to the recapture property. (Schedule H-2, line 1)	40	
41	Percentage of Investment Tax Credits in Year 1 which relates to the recapture property. <i>Divide line 40 by line 39</i>	41	
42	Credits used. <i>Add lines 6B, 13B, 20B and 27B from Part I and line 38 from Part II.</i>	42	
43	Credits used related to recapture property. <i>Multiply line 41 by line 42</i>	43	
44	Credits <i>not used</i> related to recapture property. <i>Subtract line 43 from line 40. Enter this amount here and in line 9 of Schedule H-2</i>	44	

Part IV.

45	Credits that have lapsed. <i>Subtract Part 1, line 27D from Part I, line 27C.</i>	45	\$
46	Credits used (Part III, line 42)	46	
47	Total current year Investment Tax Credit in Year 1 (Part I, line 6A)	47	
48	Credits available in current year carryovers related to recapture property. <i>Subtract lines 45 and 46 from line 47 and multiply the total by the percentage in Part III, line 41.</i>	48	
49	Credits used to reduce recapture tax. <i>Subtract Schedule H-2, line 10 from Schedule H-2, line 8.</i>	49	
50	Amount of credits to reduce current carryovers. (line 49, but not more than line 48)	50	
51	If recapture has occurred in Year 2, reduce line 13E of Part I by the amount in line 50. If recapture has occurred in Year 3, reduce line 20E of Part I by the amount in line 50. Enter here the new 13E or 20E carryover balance, but not less than "0"	51	
52	Any excess of line 50 should reduce any current unlimited carryover. Enter new unlimited carryover balance	52	
53	If recapture has occurred in Year 4 or later, reduce current unlimited carryover by amount in line 50. Enter new unlimited carryover balance	53	

Schedule H-2 Worksheet Instructions

A taxpayer who has taken an Investment Tax Credit on property which has ceased to be in qualified use before the end of its useful life must pay a recapture tax on that portion of unused credit. To calculate the recapture tax, the taxpayer must complete and file Schedule H-2, Credit Recapture. Under Massachusetts law, an offset of the recapture tax is allowed for credits that have lapsed or are currently in carryover balances. The Recapture Offset Worksheet substantiates that any offset taken against the recapture tax is a result of credits which directly relate to the recapture property.

The Recapture Offset Worksheet's sole function is to calculate what portion, if any, of the recapture property's original Investment Tax Credit has never been used to offset the corporate excise in any tax year. This portion of the original Investment Tax Credit is allowed as an offset since it will have yielded no tax benefit and therefore should not incur a recapture tax. The worksheet provides a method of "tracking" exactly how many credits which relate to the recapture property have been used, lapsed or are currently in carryover balances. In addition, if an offset of the recapture tax is due to unused credits in current carryover balances, the carryover balances must be reduced by that offset amount in order to prevent future use of these credits.

To complete the Schedule H-2 Recapture Offset Worksheet, follow the instructions below.

Part I. Use Part I to calculate how much of the recapture property's original credit was actually used during the first four tax years of its qualified use. Starting with the tax year the recapture property was placed in service, Part I tracks the credits related to the recapture property through the first four years. The detailed tracking of credits in Part I is necessary to determine what portions of 3-year carryovers have been used, converted to unlimited status or have lapsed.

Column A. Year 1 was the tax year the recapture property was placed in service. For lines 1 through 7 in Column A, enter the beginning balances for each respective credit category. Enter in line 6, Column A the total Investment Tax Credits from property placed in service in year 1, including credits from the recapture property.

Column B. To complete Column B, the taxpayer must know how many credits were allowed for use in that year. For tax years beginning on or after January 1, 1983, only 50% of the corporate excise (before credits) may be offset by credits. In addition, credits cannot reduce the excise below the minimum tax. When the corporate excise is equal to, or greater than, twice the minimum tax, credits allowed for use in that year are 50% of the excise. When the corporate ex-

cise is less than twice the minimum tax, credits allowed for use in that year are equal to the excise minus the minimum tax. Starting with the Poverty Area Credits and working downward through Column A, transfer credits available for use into Column B until the total Column B credits equal the amount of credits allowable for use in that year or all available credits are used, whichever occurs first.

Columns C&D. To complete Column D, the taxpayer must know how many credits could not be use in that tax year because of the rule that only 50% of the excise may be offset by credits. This rule applies to tax years beginning on or after January 1, 1983. The amount of credits eligible for conversion to unlimited carryover status is equal to 50% of the excise. (For example, when a corporation has a corporate excise before credits of \$1,000, only \$500 of credits can be used in that tax year. Therefore, \$500 is the maximum amount of credits eligible for conversion to unlimited carryover status.)

Working downward from Column C, transfer unused credits to Column D. Convert the unused credits to unlimited status until all unused credits are transferred or the total Column D credits equal the amount of the credits eligible for conversion to unlimited carryover status, whichever occurs first. **Note:** lines 7C, 15C, 23C and 31C automatically transfer to Column D since they are unlimited credit carryovers from prior years.

Column E. Subtract Column D from Column C and enter the result in Column E, except for shaded areas.

Part II. This section calculates what portion, if any, of unlimited carryovers already used is attributable to the recapture property.

line 36. Taxpayers must look to their own records to determine how many unlimited carryovers were actually used to offset tax during the period of Year 5 through the year of recapture.

Part III. Part III determines what portion of the recapture property's original Investment Tax Credit was never used to offset tax.

Part IV. If the recapture tax (Schedule H-2, line 8) is reduced by credits that were never used (Schedule H-2, line 9), then an adjustment may be necessary to the taxpayer's current carryover balances.

If the reduction of the tentative recapture tax is due to unused credits in current carryover balances, the carryover balances must be reduced by the "reduction amount." Taxpayers will not be allowed to use credit carryovers to reduce the recapture tax and to offset tax in future years.